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SUBJECT: THE ARDS AND GOA PROCUREMENT PROCEDURES

Summary

¶1. (SBU) The Afghan Reconstruction Development Service (ARDS,) strives to conduct GOA procurement in accordance with international standards and the GOA Procurement Law, passed in September 2005. Though not all GOA procurement is handled by the ARDS, this office sets a standard to which all government Ministries will hopefully adhere when their own procurement units are developed over the next three years. Though the ARDS and its director, western-educated technocrat Adib Farhadi, win no popularity contests in Afghanistan, efforts to undermine its standards have been thwarted, in no small part due to support from the Minister of Finance. End summary.

The Procurement Law

¶2. (U) The GOAQs Procurement Law was passed in September 2005. The law establishes a transparent, competitive procurement system for government tenders. It outlines step by step procurement procedures, including procurement planning, preparation of bidding documents, advertising, evaluation, requirements for bid, performance and advance payment securities, contract award, handling receipt of complaints, etc.

¶3. (U) The law requires that available funds be certified before procurement is initiated and that bidding documents clearly describe requirements. It established procedures to address grievances and created a Procurement Policy Unit under the Ministry of Finance for policy and profession development and performance monitoring. It also established threshold limits for procurement approvals.

¶4. (U) In general, procurements totaling USD 200,000 or

more must be carried out in accordance with the principles of International Competitive Bidding (ICB.) Procurements for less than this amount are carried out through a national shopping procedure whereby government entities themselves may solicit a minimum of three local or international bidders to provide quotations.

15. (U) Single-source procurement may be used only when only one contractor can fulfill the requirements within the time required, the contract has an exclusive legal right to the goods or services required or when there is an emergency need for goods or services involving an imminent threat to public welfare, health or safety. Single-source procurement must be supported by a written justification from the Procurement Committee of the entity conducting the procurement. Procurements in excess of USD 100,000 for goods or services USD 500,000 for works must be approved by a Special Procurement Committee, consisting of the Ministers of Finance, Economy and Justice.

The ARDS, ARTF, and Procurement Unit

16. (U) The Afghan Reconstruction and Development Services (ARDS) was established in 2003 to facilitate implementation of development projects and programs for Afghanistan. It is housed in the Ministry of Economy. The ARDS, through its Procurement Unit (PU,) oversees procurement for projects over USD 200,000 funded through the Afghan Reconstruction Trust Fund (ARTF,) a common fund administered by the World Bank to which international donors contribute for reconstruction projects. The ARDS

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also handles GOA procurement over this amount funded through the core budget.

17. (U) The ARDS, with funds from the ARTF, provides technical assistance to line Ministries to design programs and projects suitable for funding by development partners. The PU assists line ministries with tenders, evaluations, negotiations and contracting, and provides advice on a range of procurement issues. All procurement is carried out in accordance with procedures of the respective donor, i.e. the World Bank, the EU and the Asian Development Bank. Procurement awards are then signed between the winning entity and the individual line ministries, who are responsible for monitoring the performance of the contract.

18. (U) Tenders are carried out in compliance with norms of ICB and in compliance with the Procurement Law. All international tender notices are distributed on the ARDS website: www.ards.org.af and the United Nations Development Business website: www.devbusiness.com. Firms can register to receive procurement notices through both these sites by sending an email to ards.procurement@ards.org.af. The ARDS website is www.ards.org.af.

ARDS Achievements

19. (SBU) Adib Farhadi, head of the ARDS, is a western-educated technocrat who commands a great deal of respect within the donor community for his commitment to transparency, efficiency and donor coordination.

10. (U) In a recent meeting with commercial officer, Farhadi indicated that the ARDS has facilitated procurement of 348 projects valuing USD 800 million since its inception. The unit has 15-16 Procurement Liaison Officers, all local staff, who oversee each individual project, all of whom have undergone a three-month World Bank procurement training course. The PU will be phased out over the next three years as line Ministries develop

their own capacity to handle procurement.

Qand Challenges

¶11. (SBU) Farhadi indicated that institutional capacity at the ARDS is an ongoing battle: PU staff are frequently poached by other international organizations. He also stated that the ARDS is Qnot the most liked agencyQ because of its stance on transparent, competitive tenders. Farhadi stated that he has the support of Minister of Finance Anwar Ahadi to ensure that PU tenders are carried out in the most transparent way possible, but that his own popularity within the GOA was low, noting that he is Qproud to have survived.Q

¶12. (U) Farhadi indicated that Minister Ahady has recently insisted that the PU handle procurement for all ministry projects funded by the GOA core budget. Previously, Ministry of Defense (MOD) and Ministry of Interior procurement was handled directly by those Ministries.

¶13. (SBU) The first MOD procurement ARDS handled was in February and involved an order for 2 CT scans and an MRI machine for an MOD hospital. General Electric placed a bid through a local intermediary, and subsequently filed an advocacy request with the Department of CommerceQs Advocacy Center because of incomplete bid specifications and suspicion that the tender process was not being carried out transparently. Farhadi freely admitted that the PU was

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under intense pressure from the MOD to issue project details on this particular tender in accordance with the MODQs specifications, which Farhadi felt were tailor written to ensure that the company that MOD desired would win. Farhadi stated that after one re-tender, and a visit to the hospital slated to receive the equipment where he discovered not a single staff member capable of operating the equipment, the ARDS cancelled the tender.

¶14. (U) With Farhadi tapped as the new director of the Afghan National Development Strategy (ANDS), the ARDS will move to its natural home in the Ministry of Finance and soon be under new leadership, following a three month transition phase. Farhadi will then focus on his pivotal role in ensuring the effective implementation of the ANDS and establishing successful monitoring of the Afghanistan Compact. In this new position, Farhadi will be employed under USAIDQs Bearing Point contract.

Comment

¶15. (SBU) Post applauds the efforts of the ARDS in setting an example and way forward for GOA procurement in accordance with international standards. Success will go a long way in attracting foreign investors interested in doing business with the GOA. It will, however, be challenge to preserve this momentum when procurement responsibilities are transferred to GOA ministries. USAID is working with the Ministry of Finance to identify a strong candidate who will replace Farhadi as head of the ARDS and help guide this process.

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